MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2019/2020

BAC4664 – INTERNAL AUDITING

(All sections / Groups)

10 JUNE 2020
2.30 pm – 5.30 pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of **3** pages with **5** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

A good internal audit function can be profoundly important to the survival and prosperity of any organisation. Unlike external auditors, internal auditors look beyond financial statement reporting to consider broader issues.

Required:

(i) Discuss the role of internal auditor that differ from external auditor.

(6 marks)

(ii) Explain any **TWO (2)** types of internal audit engagements that the internal auditor may carry out in an organisation. For each type, provide an example.

(6 marks)

(iii) The latest Malaysian Code on Corporate Governance 2012 (MCCG 2012) that replaced the MCCG 2007 recognised the role of directors as active and responsible fiduciaries.

Identify any **FOUR (4)** key areas that have been strengthen in the latest MCCG 2012.

(8 marks)
[TOTAL 20 MARKS]

QUESTION 2

Star Bright Berhad is a renowned company recognised by its excellent service in hospitality. However currently the company is facing huge allegation since its system have been hacked that causes data leakage and customer's credit cards being auto debited. Initial investigation reveals that the company's system was down for one night but it has not been reported to the management.

Required:

(i) Identify the type of risk faced by Star Bright Berhad.

(2 marks)

(ii) Explain the risk management process and the role of internal auditing in risk management.

(6 marks)

(iii) Further investigation by the internal auditor reveals that one of the employees had disclosed private information of the company to outside party that lead to the incident. Discuss the ethical principles that have been violated.

(3 marks)

(iv) Since the incident occurred, inter department conflicts arised as they keep on blaming each other regarding the incident. Some even blamed the internal auditor on the incident. Discuss on how to deal with the conflicts.

(5 marks)

Continued…

(v) Briefly explain any **TWO (2)** advantages a company may obtain should they choose to outsource their internal audit function.

(4 marks)

[TOTAL 20 MARKS]

QUESTION 3

Good interview techniques put people at ease, make them want to give information, bring a co-operative tone to the audit, and augur well for a successful audit project. While poor interview techniques create hostility, cause people to withhold information or give false information, and produce the real possibility of a failed audit project.

Required:

(i) As a senior internal auditor at JCT Holdings, you are required to guide your junior auditor on how to conduct a successful interview with the auditees. Prepare an interview guidelines for this purpose.

(12 marks)

(ii) Explain **THREE (3)** examples of activities that you may assign to your internal auditor in order to collect information during operational audit on payroll.

(3 marks)

(iii) To achieve the purpose of internal audit, internal auditors need to develop recommendations once conclusion is decided. Discuss factors that need to be considered in developing recommendations.

(5 marks)

[TOTAL 20 MARKS]

QUESTION 4

Smart Digitex Berhad has been in business since 1992 and has grown rapidly over the years. The company is a distributor of electronic parts and equipment to various IT industry in local region. Recently, the company adopts a new inventory system to cater for its increasing number of inventory.

Required:

(i) As an audit team leader, you are currently preparing the audit programme for IT audit on the new system, focusing on (a) logical access control and (b) physical security controls.

Provide **FOUR (4)** audit procedures for each audit programme.

(8 marks)

(ii) Explain why logical access control and physical security control need to be implemented in the new system.

(4 marks)

Continued…

(iii) Upon completing the IT audit above, the internal audit team are required to prepare a report on their findings. Provide any **TWO (2)** purpose of internal audit report. (4 marks)

(iv) Provide any **TWO (2)** guidelines on preparing internal audit report referring to best practices.

(4 marks)

[TOTAL 20 MARKS]

QUESTION 5

The Institute of Internal Auditor (IIA) Standard 1300 states that a quality assurance programme needs to be established and maintained by the director of internal audit or the Chief Audit Executive (CAE).

Required:

(i) Explain the importance of quality assurance and improvement programme (QAIP).

(5 marks)

(ii) There are two approaches of quality assurance in order to assess the internal auditor which are internal assessments and external assessments.
Discuss the external assessments approach.

(10 marks)

(iii) Explain the best approach for quality assurance and improvement programme.

(5 marks)

[TOTAL 20 MARKS]

End of Paper